

Ownership interest means ownership by an eligible family by fee simple title to a unit in an eligible property (including a condominium unit), ownership of shares of or membership in a co-operative, or another form of ownership proposed and justified by the applicant and approved by HUD pursuant to § 572.115(b).

Private nonprofit organization means any nonprofit organization that

(1) Is organized and exists under applicable Federal, State, territorial, local, or tribal law;

(2) Has no part of its net earnings inuring to the benefit of any individual, corporation, or other entity;

(3) Has a voluntary board;

(4) Has an accounting system or has designated a fiscal agent in accordance with requirements established by HUD;

(5) Practices nondiscrimination in the provision of assistance;

(6) Is a tax exempt entity under section 501(c) of the Internal Revenue Code of 1986 (26 U.S.C. 501(c)), or for a private nonprofit organization in the Commonwealth of Puerto Rico, is a tax-exempt entity under Puerto Rico law;

(7) Is privately controlled and has a governing body that is controlled 51 percent or more by private individuals acting in a private capacity. An individual is considered to be acting in a private capacity if the individual is not an employee of a public body, is not appointed by or acting as the representative of a public body (including the applicant or recipient), and is not being paid by a public body (including the applicant or recipient) while performing functions in connection with the nonprofit organization.

Program income means income earned from the program as described in parts 84 and 85 of this title, as applicable, except that program income does not include proceeds from the sale and resale of properties. Such sale and resale proceeds, and interest earned by the recipient or its designee on those proceeds, are governed by § 572.135(a) through (c).

Public body means any State of the United States; any city, county, town, township, parish, village, or other general purpose political subdivision of a State; the Commonwealth of Puerto

Rico, the District of Columbia, Guam, the Northern Mariana Islands, the Virgin Islands, American Samoa, or a general purpose political subdivision thereof; any Indian tribe, as defined in title I of the Housing and Community Development Act of 1974; any public agency or instrumentality of any of the foregoing jurisdictions that is created by or pursuant to State, territorial, local, or tribal law, including a State or local Housing Finance Agency; and any PHA or IHA. For purposes of this definition, an organization that meets the requirements of paragraphs (1) and (2) of the definition of private nonprofit organization, but is controlled 51 percent or more by public officials acting in their official capacities, may qualify as a public body.

Recipient means the lead applicant that is approved by HUD to receive a HOPE 3 grant and is legally responsible for the grant.

Single parent means as the term is defined in 42 U.S.C. 12896.

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§ 572.10 Section 8 assistance.

Assistance under section 8 of the 1937 Act and other rental assistance to the homebuyer will be terminated not later than the date an eligible family acquires an ownership interest in an eligible property or executes a lease-purchase agreement for the property.

Subpart B—Homeownership Program Requirements—Implementation Grants

§ 572.100 Acquisition and rehabilitation of eligible properties; rehabilitation standards.

(a) *Minimum number of properties.* (1) Each homeownership program must involve acquisition of at least ten units in eligible properties by eligible families.

(2) A homeownership program may not result in appreciably reducing in the locality the number of affordable rental housing units of the type to be assisted that would be available to residents currently residing in the types of properties proposed for use

under the program or to families who would be eligible to reside in the properties.

(b) *Maximum acquisition costs.* The cost of acquiring an eligible property (by a recipient or other entity for transfer to eligible families or by an eligible family from a recipient or directly from an eligible source) may not exceed the as-is fair market value of the property, plus reasonable and customary closing costs charged for comparable transactions in the market area. The as-is fair market value of a property must be determined in accordance with a recent appraisal conducted under procedures consistent with appraisal standards published by The Appraisal Foundation in the current edition of "Uniform Standards of Professional Appraisal Practice."

(c) *Maximum cost of acquisition and rehabilitation.* The cost of acquisition and rehabilitation paid for from grant funds or credited as match may not exceed 80 percent of the maximum amount that may be insured in the area under section 203(b) of the National Housing Act, plus reasonable and customary closing costs charged for comparable transactions in the market area.

(d) *Rehabilitation standards.* (1) The recipient is responsible to assure that rehabilitation of eligible property meets local codes applicable to rehabilitation work in the jurisdiction (but not less than the housing quality standards established under the Section 8 Certificate Program, described in 24 CFR 882.109). Rehabilitation must also include work necessary to meet applicable Federal requirements, including applicable lead-based paint testing and abatement requirements, described in § 572.420(h), and accessibility requirements for persons with disabilities, described in § 572.405(b). Rehabilitation may include energy conservation-related repairs and improvements and the repair or replacement of major systems in danger of failure.

(2) The property must be rehabilitated to a level that makes it marketable for homeownership in the market area to families with incomes at or below 80 percent of the median for the area. Luxury items (fixtures, equip-

ment, and landscaping of a type or quality that substantially exceeds that customarily used in the locality for properties of the same general type as that being rehabilitated) are not eligible expenses. HUD reserves the right to disapprove improvements or amenities to be paid for from nonprogram funds that it determines are unsuitable for the HOPE 3 program.

(3) Rehabilitation costs must comply with the cost standards established by HUD (see paragraph (c) of this section for applicable cost limitations covering both acquisition and rehabilitation). If improvements are made to an eligible property beyond those that qualify as eligible costs, the applicant must assure that the entire cost of the excess improvements will be covered by funds other than the HOPE 3 grant and any amounts contributed toward the match, and that the affordability of the property will not be impaired.

(4) Higher standards may be proposed by the applicant or required by lenders.

(5) The applicant must adopt written rehabilitation standards.

(e) *Rehabilitation and transfer of units.*

(1) The unit must be free from any defects that pose a danger to life, health, or safety before transfer of an ownership interest in the unit to the family or occupancy of a unit by an eligible family under a lease-purchase agreement. The recipient must inspect, or ensure inspection of, each unit to determine that it does not pose an imminent threat to the life, health, or safety of residents and that the property has passed recent fire and other applicable safety inspections conducted by appropriate local officials.

(2) The unit must, not later than 2 years after transfer of an ownership interest in the unit to an eligible family, or execution of a lease-purchase agreement for the unit, meet minimum rehabilitation standards under paragraph (d)(1) of this section. The recipient must inspect, or ensure inspection of, each unit to determine that it meets the rehabilitation standards required under paragraph (d)(1) of this section.

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